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The Economic Reform in Agriculture in the USSR

After adopting the Food Programme in 1982 serious measures concerned with economic reforms in the food sector have been taken in the USSR. The major are the establishment of the agro-industrial complex, reorganization of the entire management system, a considerable rise in purchase prices, broadening of the rights of enterprises, rationalization of planning, drastic increase of capital investments to solve social problems in the rural area.

In the period 1983–7, particularly 1985–7, stagnation trends in food production have been overcome to a certain extent. For many years rates of output growth were very low and did not meet the growing purchasing needs of the population. In this period the total volume of agricultural production increased by 11 per cent as against the previous five-year period, the growth of animal product supply, the demand for which was growing to the largest extent, being particularly high. The economic situation of collective and state farms has also improved. In comparison with 1982 the number of unprofitable farms in 1987 decreased four times, profitability (the ratio between net profit and total expenses) rose from 1.3 to 21 per cent and the profit of agricultural enterprises amounted to 27.8 billion roubles.

The food situation, however, remains complicated. Increased food production in recent years has made up the deficits connected with the growth of population. It is very important now to increase considerably the growth rates of food production. Drastic improvement of food supply in the Soviet Union is considered to be an imperative social-political task of paramount importance. It goes without saying that the solution of the task calls for the further growth of agricultural investment and particularly in service branches, the purchasing system, the food industry and delivery of food products to the consumer, the latter depending on the development of general engineering and chemical industries.

But the major task now is the elaboration and implementation of the economic reform. The agrarian policy makes provisions for changes in production relationships in agriculture. This requires the re-establishment of economically balanced relations between the urban and rural areas and determination of the collective and state farm potential through different contract and lease forms. It is also important to overcome the alienation of peasants from the land, to make them full and equal masters protected against all sorts of commands and radically change their living conditions. On the whole the implementation of the agricultural

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reform is based not only, or rather not so much, on increased capital investments and means of production as on considerable economic and social reorganization measures and radically changed attitudes towards peasants. The agricultural reform is part of the entire process of renewal in the Soviet Union which is under way in the condition of *glasnost* (openness). Since 1985, especially, serious economic and social measures have been carried out intensively in the agrarian sector. These measures can be subdivided into macroeconomic, microeconomic, social and political.

Macroeconomic measures include changes in planning, pricing and investment policies. These measures provide for abandoning, to a considerable extent, the management methods based on commands and instructions and switching over to measures of economic effect.

In the first place it is worth mentioning that in the period 1988–9 all agricultural enterprises are changing over to the system of economic self-dependence, self-management and self-financing, and establishing commercial relations with the state and with other enterprises. This will result in the cancellation of subsidies to agricultural enterprises. This reform represents a complicated process making provision for the animation of low-profit enterprises, modified specialization, improved management and in some cases even their transfer to industrial enterprises, especially the ones in the Northern and Eastern zones of the Soviet Union.

Price policy should be given special priority in this connection. During the current five-year period unprofitable collective and state farms will continue to receive premiums above purchasing price for agricultural produce sold to the state. In future, it is planned to orientate the trends of pricing towards the worst output conditions in price zones of the Soviet Union. Depending on soil quality provisions are made to deduct part of the differential rent as taxes so as to level, to a certain extent, conditions of economic activity.

To stimulate increased output in the current five-year period premiums above purchasing prices amounting to 50 per cent will still remain, provided the volume of produce sold to the state is above the average level of the previous five-year period. As to grain, the premiums will make up about 100 per cent. Part of the produce, and probably the major part of it in future, will be marketed for contract prices. In general, however, it is important to emphasize that the price system, purchasing, wholesale and retail prices included, has become obsolete and does not agree with the current economic process. One of the main things today is to carry out radical price reform taking into account the conversion of the national economy, agriculture included, to the basis of commodity and money relationships between equal partners. Along with this the issues of social justice and consumers' protection are to be settled simultaneously.

The financial and credit system is undergoing radical change. In general agricultural and food enterprises are financed at the expense of republic and regional budgets. Deductions from farm profits and taxes are effected at fixed rates based on the real potentialities of the farms, their land and labour resources and production funds. In accordance with new regulations state farms are granted wider rights to distribute their profits after paying taxes and deductions. Fixed and more uniform crediting systems are being established at all farm enterprises. For this purpose the Agroprombank (Agro-industrial Bank) has been set up. It

operates on the basis of commercial principles. To revive the financial situation in low-profit and unprofitable enterprises of the agro-industrial complex, debt service payments on state bank subsidies amounting to 30 billion roubles have been postponed.

The planning practice is undergoing considerable changes as well. The new planning principles are based on contracts between agricultural enterprises and state co-operative procurement organizations. The fundamental element of planning is state order for the delivery of farm produce which is obligatory down to the local management organs – district agro-industrial associations.

Collective and state farms that have gone over to full *khosraschot* and self-financing, elaborate and adopt independently their own five-year plans of socio-economic development on the basis of target figures sent down to them by district agro-industrial complexes, as well as on the basis of state order, long-term economic norms and limits.

Target figures featuring the future farm development processes, are not of a diktat character. They are to be treated only as guidelines for planning. As to state orders, they are brought to the notice of district agro-industrial associations and on the basis of these orders, making use of economic stimuli, the latter enter into contractual relations with farms. As to plans for produce output and marketing, they are elaborated by the farms. Generally speaking planning involves the idea of food tax. It implies that part of the food is sold to the state and the rest of it remains at the disposal of collective and state farms that are free to settle their own issues independently and dispose of the produce left at their own discretion.

The idea of food tax is effected at every hierarchic level. Every republic and region has its fixed plan for farm produce to be marketed to the state and the remaining part is intended to satisfy local needs thus challenging increased growth of local production. Radical changes are observed in the system of material and technical supply in agriculture. Within the period of four to five years it is planned to complete the conversion of an obsolete centralized system of material distribution to wholesale trading in the means of production. It is planned to go over gradually to wholesale trading in machines, fertilizers, and so on. This share will amount to 25, 70 and 80 per cent in 1988, 1990 and 1992 respectively.

The conversion of farms to self-financing brings about radical changes in their economic activity and calls for the settlement of a number of problems concerned with the compensation of all kinds of outlays with their own funds and their marketed produce. First of all, it has a significant effect on the system of payment for work. The payments in self-financed enterprises are made only at the expense of their own resources as a part of the gross income. Capital investments are planned to be carried out gradually, either at their own expense or with credits given by the Agroprombank. The allotment of large-scale investments out of the budget, primarily in basic and social infrastructures, will remain.

The pressing task of the economic reform is to change the attitude of the farm worker towards the land and other means of production. Now that farm enterprises are going over to self-financing and self-management, peasants, the central figures in the entire process of agricultural production, must turn into the real masters of land, livestock and farm machines and provide payments for work

out of the income produced by them. This calls for their economic self-dependence and lays an uneasy burden of responsibility on them within the framework of collective and state farm activities.

Proceeding from these prerequisites, priority is given to contract work. This means that a farm worker, a family or a small group of workers may be engaged independently in farm production on the basis of a long-term contract providing part of the obtained produce to collective and state farms in terms of payments for land and means of production given to them. This principle is especially stressed in leasing of land and other means of production. In the given situation primary work teams are responsible for adequate organization of production and for taking decisions, whereas a collective or state farm to a greater extent turns into a co-operative performing operations concerned with planning, supplying and marketing. In this case the primary labour unit is supposed to operate on the basis of full self-financing.

Numerous experiments conducted in the country show that the conversion to new types of production relationships has resulted in a significant increase of labour productivity and produce output. Four hundred and ninety-four thousand teams and independent small groups or 75 per cent of all subdivisions on collective and state farms carried out contract work (various contract forms included) in 1987 – over 10.9 million people. Not all of them, by far, fully reveal the advantages of new forms of labour organization. But the ones that consistently pursue the policy of economic self-dependence and responsibility, provided an adequate production basis is available, have considerably increased labour productivity, income levels and farm produce supplies.

Of special interest now are various forms of leasing in the framework of collective and state farms and the establishment of farm leasehold units within them. Many experiments relating to them are under way. Specifically, the entire Pytaloosky district of the Pskov region has gone over to operation under lease. In fact, revolutionary changes in the relationships of peasants with collective and state farms, have occurred and the changed character of the latter called for a revision of the general approach to agricultural co-operation. The major goal here is to turn from state monopolization of farm co-operatives to the revival of true co-operative, independent and democratic principles of farm co-operation. This relates to collective farms first, but, in future, to state farms which must also acquire these democratic features of co-operation. For this purpose the Law on Co-operation was issued in May, 1988. The law provides for the stimulation and protection of producers' self-management in order to ensure the accretion of agricultural output and promotion of the peasantry's living standard.

According to the law the legal and economic independence of collective farms will grow and any restrictions relating to the structure of production will be lifted. Collective and state farms are granted the rights, along with agricultural operations, to perform other kinds of activity including produce processing, output of industrial products, marketing, rendering of various services. The law orientates collective farms towards giving priority to different forms of co-operation on the farm leasing, collective and family contracts. Different leasing and co-operative forms are meant to improve radically the organization of collective and state farms. Co-operation must pave the way for the agrarian revival of the country. The new law outlines juridical fundamentals for long-term leasing of land lots,

buildings and machines. Collective and state farms may allow leaseholders on contract terms to market their produce independently, make use of the remaining incomes and open accounts in the bank. In other words, collective and state farms are converting into co-operatives based on primary co-operative units. Along with this, other forms of co-operation will be promoted in the countryside as well. Greater opportunities are to be given to the development of farm co-operatives and communities engaged in production and processing, rural industries, technical maintenance, agrochemical services, farm and other machine hiring-out, joint management of farmyard plots and others. Simultaneously, collective and state farms are free to join co-operatives of a higher level, setting up interfarm and agro-industrial associations. Generally speaking various types of co-operatives should lay the foundation for the organization of agricultural production of the countryside. The approach to farmyard plots in the countryside is different now; it involves measures putting an end to restrictions imposed on farmyard production units. Land use is effected on more favourable terms and no restrictions exist in relation to livestock numbers in personal possession; juridical and economic fundamentals have been set up for the integration of farmyard production units and their closer relationship to collective and state farm production activity.

Structural shifts and changes in the investment policy call for the economic renewal of the USSR agro-industrial complex. Historically, agriculture played the leading part in the USSR agro-industrial complex. However its industrialization, the establishment of powerful industries dealing with the output of farm machines, fertilizers and other means of production have brought about a relatively fast growth of branches supplying agriculture with the means of production. As a result, the share of the means of production in the output of end products of the agro-industrial complex rose to 31 per cent in the 1980s as against 18 per cent in the 1960s. At the same time the share of agriculture declined, correspondingly, from 66 to 53 per cent. But the weakest point of the agro-industrial complex is the low specific weight of food industry (about 8 per cent) and marketing (about 7 per cent). The structure of the agro-industrial complex is responsible for regular losses of manufactured produce amounting to 20–30 per cent.

The major task of investment policy, therefore, is to modify radically the structure of the agro-industrial complex. This involves the establishment of a modern system of farm produce storage and food processing. The situation is rather complicated in this respect; the food processing industry fails to process completely agricultural raw materials and bring them to the level required for wholesale trade. Considerable allotments are needed to develop food processing and storage industries. From 1988 to 1995 it is scheduled to deliver 37 billion roubles' worth of equipment which is supposed to provide food produce amounting to 40 billion roubles over a period of eight years. This long-term structural policy must bring about higher growth rates of food output as compared to agricultural, thus balancing the entire structure of the agro-industrial complex.

Economic and social changes in the agrarian policy, to a certain extent, agree with the organization renewal of the agro-industrial complex. In this connection emphasis should be put on the fact that traditional ministerial bureaucratic

methods of economic management in this industry have been abandoned and conversion to the interbranch principle is under way. This process reflects on economic reality, which is the establishment of the state integrated agro-industrial complex confronted with the major task of supplying food to the population. Taking into account that administrative functions, to a greater extent, will go over to collective and state farms as well as to other subordinate production units, six ministries formerly dealing with the agriculture and food industry have been abolished and the USSR Gosagroprom Committee has been set up. The huge and costly level of staff has been reduced by 47 per cent. Similarly agroprom committees in every republic, region and district have been set up to exercise integrated management of the agro-industrial complex in the country. This structure has resulted, to a certain degree, in staff simplification, abolishment of many former bureaucratic functions and has promoted self-dependence of collective and state farms.

However, the reform of the State machinery has not been carried out to completion yet. Taking into account the progress of the co-operative movement in the country, economic democracy calls for further measures aimed at the decreased interference of administrative staff in the production process and enhanced independence of producers.

Gradually, the traditional management structure will be replaced by co-operatives. Some experiments dealing with the replacement of district agro-industrial associations by collective and state farm co-operatives performing all management functions are under way now. In this case managerial workers are hired by the Co-operative Council of the given district. As a result, managerial staff numbers are drastically reduced and become fully dependent on the co-operative council. This form of management is supposed to be most common and even prevailing. Co-operative unions of this kind will probably be developing at higher administrative levels. Numerous management functions are transferred to co-operatives of all kinds. The promotion of the co-operative movement leads to mass establishment of various associations, firms and integrated plants. Operating now in the Soviet Union are about 100 agricultural integrated plants engaged in agro-industrial output and marketing, over 90 agro-industrial associations and agrifirms carrying out a wide spectrum of economic activity, and about 700 research-production and production units. As a rule, these units are composed of institutes, collective and state farms which are responsible for the introduction of advanced experience in production on a commercial basis. The establishment of integrated units, based on the operation of co-operatives and firms is proceeding practically all over the country. This specifically relates to the establishment of co-operatives. In the Moscow region alone over two thousand multipurpose co-operatives, shareholders' societies, associations and consortiums have been set up. Juridical fundamentals for the establishment of shareholders' societies issuing shares for their members, consortiums of different enterprises and organizations of foreign trade have been established. Generally speaking, growing democracy in economic activity gives rise to new forms of production management and organization and in future, we hope, these organizations and their forms of economic self-management will continue to grow in number. The functions of administrative bodies will mainly be reduced to regulation and implementation of agrarian policy. Of much significance in the plan of economic

democracy are well-defined distinctions between party and state bodies. The measures provide for the limitation of party-body functions in purely economic activity.

The economic, political and social reform in the agro-industrial sphere proceeds under the conditions of general democratization, *perestroika* and *glasnost* in the Soviet Union. The XIX All-Union Party Conference and the CPSU CC Plenary Meeting held recently this year have focused their attention on those changes. In fact agrarian policy and its reform reflects general socio-economic and political reform in the Soviet Union. It is orientated towards the eventual increase of food production, settlement of the food problem in our country and simultaneously, towards new approaches and ways for the implementation of large-scale *perestroika* in the countryside and new forms of organization of agricultural production. It is obvious that top administrative bodies cannot decree everything in the course of *perestroika*; agro-economic science often fails to give adequate recommendations and, by the way, we are far from being satisfied with the extent to which our science is ready to solve urgent problems. Much is done due to wide-scale experiments, analysis of self-dependent activity of collective and state farms, every peasant family and every worker. Deep analysis of their results will be of paramount significance for us – economic research workers – in the formulation of proposals dealing with the concretized solution of serious economic problems we are confronted with. We do not disregard the rich experience accumulated abroad in the accomplishment of agro-economic tasks, particularly, the ones concerned with intensification of the so-called human factor in agriculture, the importance of market mechanisms in the regulation of production, the creation of new economic and managerial structures of different co-operative forms.

Our approach to problems we are confronted with is rational now. We are trying to find constructive solutions of a great number of new problems arising in the course of *perestroika*. We regard this process as a retreat from dogmatism and a quest for constructive methods to be employed in the settlement of political, social and economic tasks concerned with the formulation of agrarian policy in the Soviet Union.

DISCUSSION OPENING – CSABA CSÁKI

For many years there has been a great interest among scientists, policy makers and businessmen in the development of Soviet agriculture and the agricultural situation in Eastern Europe in general. It is not surprising, because this region possesses at least 20 per cent of the world's agricultural production potential. In 1986 the countries in question accounted for 16.1 per cent of world grain production and the net import of agricultural products to the region amounted to 14.2 billion dollars. Several reforms have been implemented in Soviet agriculture since the 1960s to improve the performance of the system. The Food Programme adopted in 1982 represents a very important turning point in this development. The most recent years have brought further important changes in Soviet agriculture as a part of the restructuring of the whole Soviet society, namely as an element of the famous *perestroika*.

Professor Nazarenko's paper gives a detailed overview of the most recent changes. The paper is focused on the reform of the main elements of the agricultural system. In the main, the macroeconomic and enterprise level changes of the economy management system and the related structural and political reform objectives are discussed. Agricultural production, technology and resource related issues are not covered. We get first hand authentic information from the author.

The problems and reforms in Soviet agriculture can be discussed in many ways and from several aspects. The content of the paper, I believe, determines our approach for this morning. I would like to recommend the discussion of Soviet reforms in agriculture, as presented by Professor Nazarenko, from three angles:

- (1) *The main features of the recent reform as compared to previous reforms in Soviet agriculture.* The recent changes might be analysed as a process of continuing reforms in Soviet agriculture. Compared to previous reforms the following characteristics of recent changes should be emphasized:
 - (a) *Complexity* – economic, social and political aspects are treated together; macro and micro level problems are integrated; the traditional concept of agro-industrial complexes is revised.
 - (b) *Reform is focused on economic and political issues* – in previous reforms production and technology played the major role.
 - (c) *Further decentralization* – new and more flexible forms of central control are to be implemented (State control system); economic instruments such as price, credit, and so on, play a greater role.
 - (d) *New forms of farming and economic incentives are introduced or allowed* – the orthodox idea of the Kolkhoz and cooperation among farms has been dramatically modified; new methods of work organization and decision making within farms are supported.
- (2) *Soviet reforms within the context of reforms in other Socialist Countries.* The comparison of the Soviet reform with changes in other socialist countries offers another obvious point for discussion. In this respect I would like to call attention to the following items:
 - Concerning complexity, namely concerning the intention for a joint treatment of economic and political problems of agriculture, the Soviet reforms try to go further than any other reforms in Eastern Europe.
 - In China and Hungary agricultural reform was the first step in the reform process, which, by improving food supply, created an important political condition for further reforms. While, in the Soviet Union, agriculture has not been in the forefront of reform until 1988.
 - In the Soviet Union substantial measures are intended in order to decentralize the system, however the priority of plans over markets will still exist. In some other socialist countries discussion is going on about the so-called market socialism which indicates an attempt to create a new model of economic management in a socialist environment.
- (3) *Impacts on global agricultural situations.* Though the main objective of the Soviet agricultural policy is not dealt with in the paper one can assume that the self-sufficiency orientation of the Soviet government is not going to be modified. Therefore, the success of the reforms might have substantial

impacts upon the international market of some of the main agricultural commodities.

Projections about the cereals deficits for the European centrally planned economies for the year 2000 range from 20 million tonnes (International Wheat Council, 1987) to 31 million tonnes (IIASA, 1988) to 88 million tonnes (World Bank, 1986). A recent article in the OECD Observer (Kuber, 1988) is generally optimistic on the prospects of the USSR achieving full self-sufficiency in cereals by the mid 1990s. Without a doubt these scenarios represent different imports on the global markets. The discussion of these possible outcomes might be another interesting subject for our discussion.